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SOUTH VIETNAM: Signs of Communist planning for an intensification of military and propaganda activities in South Vietnam have been cropping up increasingly in recent days.

Most of the evidence points to more shellings and sapper probes beginning late this month; allied targets in the central highlands and in the area around Da Nang will probably come under the strongest pressure, with more limited actions against selected objectives farther south. In the highlands, prisoners have reported that elements of three North Vietnamese regiments are preparing to attack a South Vietnamese strongpoint along the border.

The Communists are also carrying out a vigorous propaganda campaign to brand the recent fighting in Laos as a major South Vietnamese defeat, and they may press additional attacks against allied support bases in the Khe Sanh area in part to underscore this point. Enemy shellings, ambushes, and ground probes will probably continue and possibly intensify in this sector.

The weakened condition of many Communist units in South Vietnam and their relatively modest activities during the past year or so suggest that the new phase will not be strong enough to cause any great damage to the allied position. Nevertheless, the South Vietnamese drive into Laos has given the Communists added incentive to demonstrate that they are still capable of bringing significant pressure to bear within the South. This factor could impel the Communists to try for a few attacks inside South Vietnam that will have more dramatic impact than those seen in recent months.

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CHILE: The Christian Democratic Party (PDC) is belatedly stiffening its opposition to the Allende government.

On 22 March PDC legislators seized on several issues--including alleged involvement of government officials in a shady copper sale maneuver on the world market and the question of the amendment of the constitutional reform bill nationalizing remaining US copper holdings--to challenge the government in congress.

The PDC seems to have concluded that playing the government's game has further weakened the divided party. It hopes that this show of determination will improve its modest chances in the nationwide municipal elections on 4 April.

The Communist Party (PCCh) is concerned about the increasing and outspoken opposition to the Popular Unity (UP) government [redacted]

[redacted] and plans to counterattack strongly. PCCh leaders want to remove all remaining UP opponents from the information media and have already staged one of a series of mass demonstrations planned to mobilize popular support for the administration. Both the PCCh and the extremist Movement of the Revolutionary Left reportedly are aware of plots against the government and are making plans to counter such action. [redacted]

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GUATEMALA: President Arana has claimed the discovery of a Communist plot, possibly setting the stage for another crackdown on the left.

The government announcement seems to have been inspired by the Mexicans' recent revelation of a Communist conspiracy, and it follows the Mexicans' lead in giving heavy publicity to the recent capture of guerrilla material. In raids on 15 and 16 March security forces captured a large number of Rebel Armed Forces (FAR) documents elaborating plans for increased terrorist activity as well as information on FAR organization, finances, personnel, penetrations, and proposed US and Guatemalan targets.

References in the official communiqué to the "attack from international forces" suggest that Arana may be considering revealing to the public that Cuban advisers are attached to the FAR. Throughout the statement also are warnings to "those playing the Communist game," possibly a reference to the leftist plot headed by former foreign minister Alberto Fuentes Mohr, who has reportedly planned Arana's assassination and a government take-over by the far left.

There has probably been pressure within the administration to tighten the state of siege, which is now in its fifth month, and to resume the counterterror program. The harsh aspects of the security campaign were eased after opposition congressmen stirred criticism against Guatemala in several Latin American countries. The relatively low profile of the security forces, however, gave rise to an increase in leftist terrorism. During February there were 64 incidents of known political violence, perpetrated mainly by the left. Thirty-three persons were killed, including six security officials. About a dozen security officials have been assassinated so far this month.

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NICARAGUA: An important agreement on political succession has been reached by the two major political parties.

Under the agreement President Somoza will step down in May 1972 and a transitional government led by two members of his ruling Liberal Party and one member of the opposition Conservative Party will take charge for two and a half years. There will be OAS-supervised general elections in 1974.

Somoza, who is constitutionally barred from an immediate second term, had been unwilling to return to the political sidelines for five years. Realizing the inadvisability of simply flouting the constitution and the difficulty of finding a puppet president who would also be acceptable to the general populace, he sought to entice the opposition into a national unity government. Under the new arrangements Somoza will remain as head of the National Guard during the term of the transitional government, his party will retain its majority position, and after only two and a half years he will be permitted to run for the presidency.

The payoff for the Conservative Party is equally apparent. After more than four decades of political famine, it will be given 40 of the 100 congressional seats, three of seven positions on the Supreme Court, and advisers in each ministry, autonomous agency, and international delegation. The present constitution provides for all opposition parties together to share one third of the congressional seats. The opposition will also gain access to lower level government jobs for the first time in years.

Although the small political parties frozen out of the unity government may object to the new arrangement, the agreement supports political stability, broadens the basis of active political participation, and strengthens the commitment to a democratic system. Still, the troika form of government presents built-in difficulties and it will take a high degree of political maturity and statesmanship for the two parties to work together.

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POLAND: Concern over food supplies has led the government to provide incentives to boost domestic meat production.

Trybuna Ludu describes the new measures as the most "far-reaching program" in the history of Polish agriculture. Higher state purchase prices are being introduced for slaughter cattle and milk, while hog prices have been hiked for the second time in three months. Polish farmers have also been promised larger quantities of industrial feed mixes at lower prices. These measures probably will not begin to pay off, however, until next year.

In the meantime, Warsaw will have to speed up its purchases of pork just to maintain consumption at last year's level. Of an estimated 100,000 tons required by mid-year, West European sources report sales of only 20,000 tons from Denmark and some unspecified quantities from West Germany and the Netherlands.

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EUROPEAN COMMUNITIES - UK: France's increasingly hard-nosed position in the negotiations between Britain and the European Communities (EC) is beginning to arouse some apprehension among the other EC members.

After taking a tough line in the meeting with the British last week, the French called on their EC partners to begin considering on 30 March a common position on various monetary questions involved in the UK's accession to the Community, including the future role of sterling as a reserve currency. Although the Six and the UK agreed last October that these questions should be "dealt with" at some point, France's partners are puzzled and perturbed that the French seem to be pushing now for direct discussions with the UK. The Five have generally held that these questions should not be a major negotiating issue, and that they could be worked out in the context of the enlarged Community when it takes further decisions to implement economic and monetary union.

Explanations given by the French themselves suggest that they wish to obtain some commitment now concerning the lifting of UK controls on capital movements, the eventual diminution in the international role of sterling, and the extent to which the Community would have to support the UK in the event it has a new balance-of-payments crisis. It also seems clear that, by raising these difficult issues at this time, Paris hopes to strengthen its bargaining hand on other outstanding questions on which the French have lately become isolated.

On balance, Community opinion--though deeply concerned that the French tactics could seriously delay and complicate agreement with the British--appears inclined to believe that Paris is not trying to use the sterling issue to block British membership. Rather, it is believed, the French want to make certain that an understanding on sterling is

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part of an ultimate package worked out with the UK. Nevertheless, there is a minority view--represented in particular by some German officials--which is beginning to fear that the entry negotiations could collapse, or that France's price for avoiding this may be concessions to the French view that the Community's institutional structure should remain weak.

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LIBYA: The government and the oil companies have moved closer to a settlement. Some improvement in the companies' response to Libya's demands for assurances of continued oil exploration activities has been authorized, and demands for premium payments for the low-sulfur content of Libyan crude oil have been satisfied. The companies now are awaiting responses from Iraq and Saudi Arabia. These countries have been offered prices somewhat less than Libya will receive for their part of the oil which is shipped to the eastern Mediterranean. On the basis of Iraq's initial reaction, the oil company representatives expect "long, arduous" negotiations.

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SIERRA LEONE: Loyalist army elements have thwarted the coup attempt on Wednesday by army chief Bangura. He is under arrest and there are no indications of continued resistance by any of his rebellious troops. In a recorded radiobroadcast yesterday, Prime Minister Stevens asserted he is in control, but there are still some uncertainties about the actual situation in Freetown. For one thing, key army officers have been unable to decide who should command the army, and discussions among them are continuing at army barracks outside Freetown.

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ALGERIA: Foreign Minister Bouteflika may soon depart on a long-postponed trip to Communist China, North Vietnam, Japan, Pakistan, and India. Although details of the itinerary remain to be worked out, Bouteflika's party probably will stop over in Moscow. This will be the foreign minister's first visit to the Far East and South Asia, and is designed to broaden Algeria's contacts. The visits to Peking and Hanoi will also serve to balance Algeria's expanding economic relations with the US.

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URUGUAY: The Tupamaros released Attorney General Berro Oribe Tuesday, after making his 14-day confinement the occasion for "documenting" their charges of official corruption. During Berro's imprisonment, the guerrillas released purported excerpts from an interrogation in which the prosecutor allegedly admitted numerous irregularities and indicated he might resign. The Tupamaros made no mention of British Ambassador Jackson, whom they kidnaped in January, but the attorney general said that the ambassador was in good health and spirits. The urban terrorist group, in the face of President Pacheco's refusal to negotiate, apparently intends simply to continue kidnapings in order to embarrass the administration in this election year. The Tupamaros also hope to ensure lenient treatment for the 250 terrorists the government has imprisoned.

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